

Iron Ore



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And Steel Forecast Conference**

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Keynote Address by

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“The way forward in a changing iron ore market”

INTRODUCTION

Two years ago, at this forum, I said we were reshaping our business in a new era of increased global competition and that we were operating in a time of rapid change in the iron ore business. I said we were not alone in grappling with the key issues faced by all the major producers in the Pilbara region of Western Australia and indeed the general industry issues facing iron ore producers all over the world.

Since then BHP Billiton has taken a number of steps to improve the competitiveness of our existing iron ore operations and capture new growth in seaborne ore trade. The changes have been particularly noteworthy in Western Australia where significant progress has been made in building on the strong fundamentals of the interlinked Newman, Yandi and Goldsworthy joint venture operations managed by us.

I would like to take this opportunity to lead you through some of the key changes in the business and market environments during the past two years, update you on our business achievements during this period, provide an insight into our view of future market trends and developments, and finally to map out BHP Billiton’s forward strategy for our Pilbara operations.

RESOURCE AND INFRASTRUCTURE BASE

Before looking at these recent changes and developments, allow me briefly to describe our Pilbara operations. These operations are well known to most, if not all of you so I will only provide a brief summary to illustrate the quality of our resources and infrastructure to highlight areas in which we have made significant improvements over the past two years and to place our future plans in context.

Our operations are characterised by outstanding resources of a variety of ore types. We now have about 2000 employees and 1900 contractors at our Western Australian iron ore and Boodarie Iron operations.

These operations include:

- Five mining operations including Mt Whaleback, the largest open cut iron ore mine in the world
- 696 kilometres of railway linking our mine and port operations, including a rail fleet of 48 locomotives and 2224 ore carriages
- Port and processing facilities at Port Hedland – dual facilities at Nelson Point and Finucane island now linked by an under-harbour tunnel and conveyer

- The Boodarie Iron hot briquetted iron (HBI) plant at Hedland

Mount Whaleback at the town of Newman, is the heart of our Pilbara operations. Our Newman operations have mined and shipped more than 900 million tonnes of high quality Brockman ore since 1969. Our High Grade Newman Fines product with desirable chemistry, granulation and sinter properties continues to underpin the sinter blends of major Asian steel makers. Our High Grade Newman Lump is appreciated for its excellent reducibility, low alkalis and overall good blast furnace performance. After leading the market development for pisolite ore, we are continuing to see growing demand for our Yandi Fines product. Steelmakers are increasingly realising the high-value-in use of this product as they continue to adapt their operations to accommodate the sintering properties of pisolite ore. Our Yandi Fines are soon to be complemented by the introduction of Yandi Lump, a high quality pisolite lump product. More on that later.

Despite more than 34 years of sustained production growth, BHP Billiton still has 1400 Mt of low P Brockman resources available mainly in the Newman area, sufficient to support many more years of increased production. We also have large resources of both Pisolite and Marra Mamba ore types – our resource base currently includes around 1885 Mt of Marra Mamba ore and 1320 Mt of pisolite ore, sufficient for production at high tonnages for many years. In addition, we also have over approximately 1755 Mt of high P Brockman ore in our resource base.

The scale, diversity and quality of our resources are key strengths. Our resource base gives us the flexibility to expand production on a wide product range. Further, we have the ability to increase output from our existing mines limited only by the rail and port capacity. I will illustrate later how we plan to use these strengths to service the changing market in the future. Let us now turn to look briefly at some of the external drivers for change in the iron ore business over the past two years.

DRIVERS OF CHANGE IN BHP BILLITON'S PILBARA OPERATIONS

For BHP Billiton the process of change over the past 2-3 years has been driven by four key imperatives:

1. Pressure on prices for our major products

I told conference delegates at this forum two years ago that all producers were vulnerable to Asian economic cycles and the fluctuations of the steel industry. I said we could expect to recover some of the price cut in the near future, but it would be a long time before we can expect a sustainable rise in the real prices of our products as raw materials. These statements are equally valid today.

2. Increased competition

Given that seaborne market growth was increasingly becoming focussed in Asia, I forecast that in coming years the battle for market share would shift from a tussle between the three

major Australian producers to a contest in which Australian producers would need to compete more with other world producers. We also flagged the development of the first of the next generation of greenfields mines in the central Pilbara. This is now occurring with the development of Marra Mamba projects such as our Mining Area C.

3. *Increased Demand for Higher Value in Use Ore Products*

Given increasing cost pressures on steelmakers, I identified a need for ore producers to provide higher value-in-use (VIU) market offerings to assist steel producers in optimising their ore feed mix. Having pioneered the market development for pisolitic ore with our Yandi fines in the early 90's, we continue to lead in this area. I will cover the current development of our high VIU Yandi Lump and MAC™ products later.

4. *The new direction of the company.*

Much has been said and written about the new directions for our company. We have undergone major structural changes over the past two years which have resulted in significant business benefits. We have re-shaped our business to create a high-performance organisation which is well placed to capture new opportunities in the changing seaborne iron ore market and I will provide some examples of the way in which we have done this.

Before presenting our business response to these imperatives, let us first look in more detail at the changing market environment.

CHANGING MARKET

Asia Reaffirms its Position as the Market Growth Engine

Asia continues to dominate global steel production, accounting for around 41% of the total 840 Mt of world crude steel production in 2001. Steel growth in Asia has averaged above 3% pa over 1990-2001, compared to a global average of 0.9%. Despite the current weakness in the global economy, Asian growth in steel production is set to continue, primarily driven by China.

This growth in steel production is reflected in the dramatic rise in Asian seaborne iron ore imports over the past 20-30 years. Growth in the global seaborne iron ore trade has been driven by Asia, while imports into the developed regions of North America and Europe have remained relatively flat. During the period 1980-2000, global seaborne iron ore trade increased by 27% while Asian ore imports grew by over 67%.

Japan was the initial powerhouse in the growth of Asian steel production that drove the development of the Pilbara in the late 60's and 70's. Development of the Korean and Taiwanese steel industries in the 80's and in the 90's, combined with strong base demand from Japan, continued to fuel development of the Pilbara ore resources. These markets are now in a more mature phase, with relatively stable steel production and are focussing on the use of new generation ores to drive down steelmaking costs. China remains a developing market, with strong economic expansion over the past decade fuelling a sustained increase in

steel consumption. Chinese steel production has doubled over the past ten years, increasing from around 70 Mt of crude steel in 1991 to 143 Mt in 2001.

This increased steel production has been based on imported ore, with lower quality domestic Chinese ore production remaining flat or declining. China's growth over the past few years has consistently exceeded most published forecasts. This has happened whilst some smaller mills have been closed or merged with larger more efficient steel plants, further fuelling the consumption of higher quality imported ores, particularly by the large coastal mills. Most forecasts indicate that future imports to China may rise as steel production grows from 143Mt to over 200 Mt (up 50%), or 15% to 20% of global production to 2015. By contrast India, although climbing by perhaps 70%, will only represent an increase of 3% to 4% of global production, starting from a much lower base of 27 Mt; while the outlook for the developed world is relatively flat. Yet steel per capita consumption in China, while rising from 60kg to 99kg over 1991 to 1998, is still well below most developed economies ranging from 368kg for the USA to 613kg for Canada (World average = 132kg). Consequently, China is also driving future steel consumption as well as production with IISI five year forecasts of consumption growing at 4% pa compound. Some of this steel demand is likely to be met by existing steelmaking capacity in the more developed neighbouring countries such as Japan and Korea.

While China continues to emerge as Asia's future growth engine, Japan and Korea are likely to continue to underpin the bulk of Asian ore demand. While rationalisation in Japan may see some change in ore consumption, there is unlikely to be a longer term dramatic downward shift, particularly if steel exports to China increase. Asian demand already dominates world seaborne trade accounting for over 55% of the approximately 455 Mt shipped in 2000. Current estimates are that figures for 2001 are likely to be similar.

Future growth in the steel industry and seaborne iron ore market will clearly continue to be focussed in Asia, and BHP Billiton's Pilbara operations are well positioned to capture a major share of this growth.

New Product Development

Over the past decade, we have worked with our major customers in developing new, higher "value-in-use" (VIU) ore products to assist steelmakers in improving their cost competitiveness. Essentially this means the development of lower cost products of desirable chemistry but challenging physical properties. VIU considers the financial 'Value' of raw material 'In' its 'Use' for iron and steel production in each individual plant. This is achieved through a thorough understanding of the impact of each material input on the final process outcome.

BHP Billiton's pioneering development of the pisolite ore market with our low alumina Yandi Fines product is a good illustration of VIU. Within 7 years, we were able to ramp up Yandi Fines sales from 0.8 Mt in 1992 to 25 Mt in 1999. This rapid market acceptance was only possible by working closely with our customers to ensure that the VIU opportunity

offered by the product could be effectively harnessed. Other producers followed our lead, and pisolite ores are now widely demanded.

The evolution of VIU will continue as new generation ores are introduced. This is particularly so for Marra Mamba ores sold into Asia. On the benefit side they offer reduced gangue levels but on the challenges side they are fairly similar to Yandi with respect to sintering challenges in porosity, density and water content, and are also finer grained. The extensive knowledge base gained from Yandi should kick-start the Marra Mamba ores, helping to quickly unlock their VIU potential. The opportunity for Australia is that as the major producer of Marra Mamba ore, the potential exists for an increase in global market share.

Having pioneered the market development of Yandi Fines, we are well placed to promote the realisation of the VIU potential of our new Yandi Lump, MAC™ Fines and Lump products as we develop these projects. Our large resources of low P Brockman ore also enable us to satisfy increasing demand for high Fe hematite ores in China.

Industry Consolidation

No view on market changes would be complete without some comment on the significant structural changes which have occurred in both the iron ore and steel industries in the past two years. Consolidation is a natural consequence of the large economies of scale required in capital intensive industries such as iron ore production and steelmaking.

On the steel side, despite recent rationalisation, the global steel industry remains fragmented. Even with the recently announced mergers of three major European steelmakers to form Arcelor, the world's largest steel company with production of around 45Mtpa, the top ten steel producers still account for less than 25% of world production. Over production continues to be a major problem, having driven steel prices to record lows in recent months. Government involvement, viewing steel as a strategic industry of national importance, has impeded rationalisation and allowed high cost, inefficient capacity to remain operational. The events of September 11 have again heightened nationalistic influences on steel industry decisions, as evidenced by the current uncertainty created by the US deliberating the introduction of significant tariffs on steel imports, a ruling on which is anticipated in March.

There is no doubt that the current steel overcapacity, global insecurity and recession pose a risk to iron ore demand in the short term. Steel industry profitability needs to be restored to fully realise the growth potential of the seaborne iron ore trade. In the medium to longer term further rationalisation in the steel industry is inevitable if profitability is to improve. We welcome all moves to improve the steel business – we have a vested interest in our customers being profitable to enable their future survival and growth.

On the supplier side, the recent consolidation the iron ore industry will assist in securing the long term, reliable supply of cost competitive raw material to the world steel industry. The raw materials industry is the vital first link in the steelmaking chain, and strong links are required throughout the chain for a prosperous industry. Although the number of competitors

for the seaborne market may decrease, the intensity of competition for market share is likely to escalate among the consolidated players, especially as the market growth opportunities become more regionally focussed in Asia. Technology, partnerships and understanding a customer's specific raw material needs will become increasingly important as the pressure for profitability/consolidation in the steel industry continues.

Let us now turn to see how BHP Billiton's Pilbara operations have performed in this changing environment.

PROGRESS OVER THE PAST TWO YEARS

Business Performance

Our Iron Ore business performance has improved significantly since I last addressed this forum. Total sales (on a 100% basis) from our operations increased by 13% from 63.1 Mt (wet metric tonnes) in Year Ending June 2000 (YEJ 2000), to 71.3 Mt in YEJ 2001. BHP Billiton's Earnings Before Income Tax (EBIT) from our share of these operations rose from US\$326M in YEJ 2000 to over US\$440M in YEJ 2001, an increase of 35%.

Performance in the current financial year is on track to match or exceed our YEJ 2001 results. Total sales for the half year ending Dec 2001 were 37.1 Mt (wet metric tonnes), with BHP Billiton's EBIT being US\$271.1M. Barring any unforeseen market downturns or significant production interruptions, we are well placed to meet our forecast for the year ending June 2002 financial year.

Two factors have come together to strengthen the financial performance of our operations – significantly improved production efficiency and strong market demand for our products. Our business is performing more efficiently now than ever before and we are well placed to make new investments to grow our iron ore business to meet forecast future market demand.

Our Boodarie Iron plant in Port Hedland produced about 770,000 tonnes in the first half of 2002, with a monthly record of 153,000 tonnes in December. The two millionth tonne was shipped in January; the last million taking only eight months compared to two years for the first million.

The completion of modifications to the process and other associated capital works means that all four production trains are available – allowing it to move to a steady state of operation.

Let us now turn to look in more detail at how we have gone about achieving some of our recent operational improvements.

Operational Improvements

We took a strategic decision to concentrate on innovation, efficiency improvement and cost reduction. Good progress has been made in addressing important issues associated with mining efficiency and lump ore maximisation in mining, gross loading rates in shipping and overall operational efficiency improvements underpinned by more flexible work practices. Rather than provide a superficial overview of a list of improvement initiatives, I would prefer

to focus in some detail on one or two major initiatives that are yielding significant benefits. One such example is our investment in operating excellence systems and resources on a range of projects designed to further improve business performance and develop a culture of quality and efficiency. Other examples I will cover include Safety and Environment, Workplace Change, Technology and Community Relations initiatives.

Operating Excellence

Our Operating Excellence (OE) initiative is focussed in three main areas:

- **Improvement Methodology (6 Sigma Plus)**

This is a formal process based on the 6 Sigma Process. It utilises trained coaches to guide teams through a defined process of data analysis, improvement identification and then institutionalising the changes. Each project takes around 12-16 weeks to complete, depending on the scope. We have completed over 10 projects up to December 2001 and currently have 15 in progress, with 9 full time coaches facilitating. We estimate that our OE initiatives have resulted in over A\$12M in savings/revenue enhancement in the half year ending December 2001.

Some examples of the outcomes of this process are:

- The Beneficiation Plant in Newman is a continuous process and relies heavily on uninterrupted feed. Analysis of the delays and initiating improvements has seen a reduction in delays by 62%. This equates to increased saleable product of around 160,000 tonnes.
- Diesel fuel is the single largest operating cost within Railroad. A team was formed to investigate fuel consumption on locomotives. The team identified several areas for improvement through an understanding of the root causes associated with excessive fuel consumption. By implementing a driver strategy and reporting to the drivers how much fuel was consumed on their trip, a saving of approximately 9% has been achieved. Enhancement of the driver strategy, introduction of communication plans and installation of automatic download hardware on the locomotives, should see further significant savings.
- A major component of our overall capacity is the time taken to load ships or Gross Loading Rate (GLR). Improvements in operating rates, reliability of equipment, yard efficiency and reductions in all delays has seen major improvements in GLR. Finucane Islands GLR improved by 11% in YEJ2001 and so far this year has improved a further 15%. Nelson Point rates have also improved with gains of 14% and 18% for the same periods. This has resulted in both increased throughput and a 50% reduction in demurrage costs.

- **Networks**

BHP Billiton is a large organisation. Without coordination, improvement activities could be duplicated or assets could continue to struggle with issues that have been solved elsewhere. Formal networks have been formed across the Company by practitioners in various disciplines. These networks are coordinated and resourced by a central team. Maintenance, processing, operating, mine planning and supply networks ensure best practices from all BHP Billiton assets are shared and maximum value is generated from improvement initiatives. As an example, the Global Maintenance Network has developed a self evaluation tool which identifies areas of best practice as well as areas in which to concentrate further improvement activities.

▪ **Benchmarking**

This is focussed at identifying where real targets should be set to ensure that true “stretch” goals are set and project opportunities identified. Examples of activities in this area include:

- Standardising operational data definitions
- Developing a database of operational performances from across the organisation and distributing this on a quarterly basis.
- Benchmarking against external organisations

Safety and Environment

In the years preceding 1993 there was a fatality at one of our facilities on average once a year. In that year alone there were three deaths and our lost time injury frequency rate (LTIFR) was above 30. In the eight years since then there have been two fatalities and our overall accident rate has fallen substantially. This improvement has been due to a number of concerted safety initiatives, primarily focussed in the area of accident prevention. In 1993 only the best mining operations in the world could achieve one million hours between injuries. At that time we could only dream of matching this performance and for us achieving 100,000 hours between lost time injuries (LTI's) was considered a feat.

Today we regularly achieve one million man-hours between LTI's. In fact between 2-3 million man-hours between LTIs is not uncommon for us and our LTIFR is now 1.6. This major improvement in safety performance becomes even more significant when viewed in context with our rapid expansion in the past six years. Safety management and performance during our major construction projects at Yandi, Yarrie and HBI/Boodarie Iron are widely viewed as benchmark in the construction safety arena.

We won the inaugural Road Safety Council award for best practice in 1997 and were one of the pioneers of the use of safety case/risk management techniques in 1995 in the mining industry. The Atomic Energy Authority of the UK was our partner in developing this approach.

What has changed our performance? We believe a combination of:

- Strong leadership and commitment;
- Basic systems developed with involvement of the workforce;

- Major training programs focussing on hazard perception; and
- Groups of people making personal decisions that their risk taking behaviours were unacceptable (i.e. permit to work procedures, identification of critical risks and high-risk activities, drug and alcohol usage etc).

On the environment side, we have a number of current initiatives in the mine extraction and processing, raiing, port processing and shipping operations. Let me briefly touch on shipping dust management as an example.

Shipping dust management is a critical component of both our existing iron ore and HBI operations and successful development of new projects. As part of our capacity expansion (PACE) and Mining Area C projects, we have initiated a major program to examine the dust and handling characteristics of our new MAC products of research and development, modelling and design has taken place. Research has shown that dust evolution and ore handling characteristics can be optimised for MAC™ fines by controlling the ore moisture content between set levels. Planning for Mining Area C's development now involves designing a 'pit-to-port' dust control system, including the addition of 'moisture sensors' at various stages of mining, transport, stockpiling and shipment. The same knowledge is also now being incorporated in new initiatives to further reduce dust emissions from our existing products.

We will continually strive to further improve our Safety and Environment performance over the coming years as our operations expand.

Workplace Change

We aim to be the safest, most efficient and profitable iron ore producer in the Pilbara. We realised that in order to meet these objectives, we needed to change our workplace culture to more closely align it with our business goals.

We have developed a number of tools to achieve this objective. One is the initiative for employees to embrace our Road Map to Success concept. The roadmap defines our purpose, mission, strategic themes and how we measure success. It is consistent with company wide performance targets for all operating businesses, and the push into Operating Excellence.

Components of this include site business plans, department business plans and individual and team goals and individual performance reviews. Employees have opportunities to contribute to this process at every level. They have their input at the workplace, at operational sites and within departments when setting individual and team goals. Our objective is to engage everybody within the company in the creation of a high performance organisation.

Everybody contributes in identifying areas of cost reduction, operating excellence, true integration of the business from resource to the marketplace and satisfying customer expectations. Every aspect of our business has set business improvement initiatives with performance scorecards for each of the main components of our business. We have identified targets for areas such as Community Relations, Cost Management, Efficiency, Environment, Growth, People Management, Product Quality, Safety and Production (Tonnage).

On the industrial front, like the rest of our industry, we are concerned about the WA Government's new industrial legislation. It is critical that this new legislation is workable and provides the basis for further productivity improvement.

To survive and grow in the globally competitive environment in which we operate, we need a workforce who are committed, adaptable and innovative, and not limited by restrictive work practices. We have made good progress in involving our people in the process of change and making continuous improvements to our operations. Staff are now more than ever before fully engaged in our operations, and also have a stake in the company's business performance. Many have realised the personal benefits to be realised by this new way of working and have embraced the change which is now delivering better results, and most want to be part of the new way we do business.

Technology

Given the massive tonnages we move every day through our integrated manufacturing chain from mine to port, technology plays a vital role in improving efficiencies and minimising costs.

■ **Long Train**

In June last year, we put together the longest, heaviest train ever to move on the face of the earth. The train measured 7,353 kilometres and weighed 99,732.1 tonnes. It carried a world record net mass of 82,262 tonnes of iron ore over a distance of 275 km from our mines to Port Hedland. The train comprised eight locomotives and 682 ore cars and was run as a trial to test a Loctrol 111 system to its full capacity with new General Electric AC6000 locomotives recently purchased by us.

This system allows for the remote control of locomotive power and air brakes in trains. Control is by radio signals transmitted from a controlling unit at the head end of the train and provides instantaneous control of up to four remote sets of locomotives from the driver's control station in the lead locomotive.

We ran this train to confirm the ability of our technology and see just how many ore cars one driver could safely control. We don't intend to run trains this long all the time, but as part of our PACE (Products and Capacity Expansion) project we do plan to run trains of 330 plus cars. In fact, we have run more than 100 trains of this length so far.

There are other modifications we need to make to the railway so we can shift more tonnage. We intend to buy more ore cars, extend five sidings to cope with longer trains, build a new yard for splitting and joining trains and will continue the process of increasing ore car axle loads, already the heaviest in the world.

■ **Other Technological Improvements**

We are becoming smarter in the use of equipment and technology. At Mt Whaleback we track all the trucks using a high resolution global positioning system (GPS). We also track exactly where our excavators are on any given mining face. We also use

this technology to monitor operator performance and provide regular feedback against their own and others' performance.

We've also achieved some remarkable results from our beneficiation plant in terms of increased output. Three years ago we were achieving 4.4 Mtpa – now it is 5.4Mtpa, and the concentrate quality is better. We think that with further upgrades we can achieve 7.6Mtpa from this plant.

After the extraordinary rains of 1989/99 we've introduced operating procedures to maximise ore car turnaround and minimise handling issues. We've also introduced a Continuous Stockpile Management System to enable us to manage quality smoothly from the mine face into customer vessels, avoiding the necessity for sudden quality adjustments and gaining more efficient usage of our stockyards and achieving throughput benefits.

Community relations

- In pursuing its future growth plans, BHP Billiton Iron Ore is committed to working with its local communities to help create sustainable value for the region. During the proposed new developments about 400 additional employees will be required during the peak in 2003. As part of this plan also, each major installation contractor will have a minimum of 5% Indigenous employment.

Enough said of our past actions and achievements, let us now turn to our future plans in this changing world.

FUTURE PLANS – BHP BILLITON'S WAY FORWARD

We aim to grow to meet customers demands for increased tonnages and new products, and will ensure that this growth is in line with our Company strategies and is clearly value adding to both BHP Billiton's shareholders and to our customer's businesses. Our world class resource base, highly efficient production infrastructure, well established marketing network and proximity to the industry growth centre in Asia, have us well placed to play a major role in future expansion of the seaborne iron ore business. We are already moving ahead with three major development projects that will increase our export capacity and range of products. The projects are Yandi Lump, Mining Area C and our Products and Capacity Expansion (PACE).

Yandi Lump

BHP Billiton continue to lead in the development of high VIU pisolitic products with the introduction of Yandi Lump – a high quality pisolite lump product. We have been producing Yandi Lump on a trial basis since 1999 and have already shipped more than 2 Mt to customers. We are now moving to formalise this process with the expenditure of A\$27.5M to modify the No 2 Ore Handling Plant at the Yandi mine to deliver an additional 4mtpa of lump product. We are planning to begin Commissioning of this new plant in July 2002.

Mining Area C

Mining Area C has a vast deposit of Marra Mamba iron ore located about 120km north of Newman and 39 km from our existing Yandi mines. It is estimated to contain 890 million tonnes of iron ore in separate areas known as A, B, C, D, E F, R deposits. All statutory approvals for the project, including environmental commitments, have been obtained from State Government regulatory bodies and a feasibility study developing the optimum plan for development of the 189 million tonnes 'C' deposit is essentially complete. Native Title Agreements have been reached with claimants Innawonga Bunjima Niapalli (IBN), Marta Idja Banyjima (MIB) and the Nyiyaparli group covering the power line corridor to the mine. A Memorandum of Understanding (MOU) has been entered into with Pohang Steel (POSCO) of Korea for a joint venture development of the initial 'C' deposit.

The feasibility study scope has included:

- The development of a 15 million tonnes per annum mining and processing facility;
- The construction of a 38 kilometre railway spur to link the mine to BHP Billiton Iron Ore's existing railway infrastructure at Yandi;
- Installation of associated infrastructure, including power, water, airstrip and access roads; and
- The provision of accommodation for an estimated 500 people during plant and rail construction and a permanent village for the operations workforce of 150.

To validate customer confidence in our MACTM product, we are now well advanced in preparing a 740,000 tonne bulk sample for furnace and other trials by overseas customers. The shipping of samples for trials will be a major step towards the creation of the next generation of high VIU Pilbara products. Extensive studies conducted in our laboratories and research facilities have shown that MACTM Lump and Fines will add value to the steel making process. MACTM ore will complement our Mt Newman, Yandi and Goldsworthy products.

Bulk sample preparation is now well advanced. At the end of January 2002, more than 180,000 tonnes had already been trucked the 120km to Orebody 25 near Newman for processing and riling. This has involved:

- Establishing a temporary accommodation village at the site;
- Recruiting 150 people, including a 5% indigenous component;
- Preparing stockpiles and a truck loading facility;
- Establishing product stockpiles from which the bulk sample will be drawn;
- Constructing a new access road to Mining Area C, two intersections on the Greater Northern Highway and upgrading the Orebody 25 access road;
- Trucking of the bulk sample to the Orebody 25 processing facility
- Crushing the first Marra Mamba ore at Orebody 25.

The next stage will involve us riling the MACTM samples to Port Hedland. Preparation of this bulk sample is a critical step in the development of Mining Area C and a key component of our working relationship with customers to ensure they have a full technical knowledge of

the quality and characteristics of MAC™. Close partnership with customers will be required to quickly unlock the VIU potential of these Marra Mamba products.

In parallel, we will finalise the project approval and move forward with full development of this major greenfields development. We currently aim to begin mining production at Mining Area C in late 2003, with production ramping up to a final capacity of around 15 Mtpa as dictated by market demand.

Products and Capacity Expansion Project (PACE)

Studies examining a major upgrade of BHP Billiton Iron Ore's port and rail facilities to increase BHP Billiton Iron Ore's export capacity to more than 90mtpa by 2011 are now well advanced. These studies include:

- Developing a new 2.5 mt 'Western Yard' stockpile area behind the existing Finucane Island facilities;
- Stockpiling and shiploading Yandi and MAC™ products at the Western Yard and Newman and Yandi products at the Nelson Point 'North' and 'South' stockpiles, while providing options for Yandi product to be shipped from both ports;
- Upgrading the under harbour tunnel conveyor to 10,000 tph;
- Establishing a new lump re-screening facility for the 'Western Yard';
- Upgrading the Finucane Island berth to accommodate 250,000dwt vessels;
- Modifying the existing Nelson Point ore processing system to allow ore to be transferred from the Nelson Point car dumper to the new West Yard.

CONCLUSIONS

Overall, we have a sound underlying business with world class assets and significant growth potential.

We are well placed to participate in future growth of the seaborne iron ore industry. Today, there is a wider range of iron ore products available in the market than ever before. This increased product range provides steelmakers with unprecedented flexibility in optimising their ore mix to match operational and cost requirements. Our proximity to the market growth centre in Asia, the scale, diversity and quality of our reserves and infrastructure base, our experience in pioneering new product development and the quality of our people all combine to provide us with a leading position to capture future market growth. We are already moving ahead with expansion projects.

We have proactively responded to the changing business environment and built on our competitiveness to ensure that we are well placed to continue to grow as an industry leader. We have come a long way in the past two years, and the pace of change is likely to accelerate in the coming years.

BHP Billiton's extensive suite of ore products, combined with high quality reserves and future development options, ensures that we are well positioned to meet the raw material needs of steelmakers in the 21st century.

I applaud our staff for underpinning our business performance and being prepared to face the challenge of change with us. We would not be able to achieve our future goals without their proactive support in chasing the ever-moving goalposts of the seaborne iron ore business.

Thank you.